

Town of Falmouth, Maine

Proposed Budget

Fiscal Year 2020-2021



Submitted by

Nathan A. Poore, Town Manager  
Peter McHugh, Finance Director

## TABLE OF CONTENTS

I.	A Citizen's Guide to the FY21 Budget Document	1
II.	Budget Summary and Overview	3
	Transmittal Letter	4
	Budget Analysis	7
III.	General Fund Revenues	20
IV.	Expenditure Detail	
	General Government	23
	Administration	25
	Council/Legislative	29
	Legal	31
	Town Clerk	33
	Building Maintenance	37
	Cable Television	40
	Communication	41a
	Sustainability	41c
	Finance	42
	Assessment Administration	44
	Accounting and Control	46
	Debt Service	49
	Insurance/Risk Management	51
	Information Systems	53
	Public Safety	56
	Police Administration	58
	Patrol	61
	Investigations/Court	67
	School Resource Officer	70
	Communications	72
	Traffic Signals	76
	Harbor Control	78
	Animal Control	83
	Police Building Maintenance	86
	Fire Protection & Emergency Medical Services	88

IV.	Expenditure Detail (cont)	
	Public Works	94
	Streets and Rights of Way	96
	Solid Waste	102
	Community Development	106
	Economic Development	110
	Community Programs	113
	Parks	115
	Community Center	121
	Non-Departmental & Other Agencies	123
	Non-Departmental	124
	Other Agencies	126
V.	Appendix A&B – Capital Improvement Planning	128
VI.	Appendix A – Capital Expenditure Schedules	135
VII.	Appendix B – TIF Schedules	182
	Route One South	186
	Route One North	195
	West Falmouth Crossing	202
	Ocean View / Natural Gas	211
VIII.	Appendix C – Special Revenue Fund Schedules	223
IX.	Appendix D – Library Budget	250
X.	Appendix E – Division Expense Summary	255
XI.	Appendix F – Wastewater Enterprise Fund	274
XII.	Appendix G – Cumberland County Tax	288
XIII.	Appendix H – Fund Balance Policy	290

# A Citizen's Guide to the FY21 Budget Document

The Town of Falmouth budget document provides concise and readable information to the public about Town government. The budget document represents the definitive policy statement of the Town, establishing levels of service and determining the allocation of municipal resources.

The Table of Contents lists every subject covered in this document and its page number. As a further aid, the document is divided into the following major sections:

- Budget Summary and Overview
- Revenue Detail
- Expenditure Detail (Broken down by departments and divisions)
- Capital Improvement Program, TIF and Special Revenue Funds
- Library Budget Detail
- Wastewater Enterprise Fund Budget

The Budget Summary and Overview section provides general information about the budget. It includes the letter of transmittal from the Town Manager to the Town Council as well as information and statistical data relating to the budget.

The Revenue Detail section contains information on the Town's various revenue accounts including actual revenues for FY19, estimated revenues for FY20, and proposed revenues for FY21. Line item notes for the various revenue accounts are also included in this section.

The Expenditure Detail section provides detailed information on all expenditure accounts. This section is divided into programs within departments. Each department section includes an organizational chart of the department, expenditure detail, and line item notes for the major line item accounts. The line item expenditure detail includes actual expenditures for FY19, estimated expenditures for FY20, and proposed expenditures for FY21

The Capital Improvement Program (CIP) section contains the Town's multi-year Capital Improvement Program. This section includes a financial overview of the CIP, a description of approved CIP projects, the equipment replacement schedules for the Town's operating departments, and the Town's proposed street paving schedule.

The Tax Increment Financing District (TIF) section contains the Town's multi-year project plan for each of the TIF Districts and shows the captured value tax revenues and fund balance for each District by fiscal year.

The Special Revenue Fund section contains the Town's FY21 plan for both revenue and expenses and summarizes balances by Special Revenue Fund.

The Library and Wastewater sections contain the Town's FY21 Plan for each of those entities.

## **General Information**

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The accounts of the Town are organized on the basis of funds and account groups. The operations of each fund are maintained using a set of self-balancing accounts that are composed of its assets, liabilities, fund equity, revenues, and expenditures. This budget document deals with the operations of the Town's General Fund, Capital Improvements Funds, TIF Funds and Special Revenue Funds.

The general fund is used to account for all financial transactions that are not accounted for in categorical funds (sewer enterprise fund, trust and agency funds, etc.). The principle sources of revenue of the general fund are property taxes, excise taxes, inter-governmental revenue, charges for services, and miscellaneous revenue. Expenditures are for general government, financial administration, public safety, public works, community development, economic development, parks and community programs, education, and other agencies/non-departmental.

## **Charter/Code Requirements**

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Article V of the Falmouth Town Charter outlines the requirements for the budget. Per the Charter, the Town's fiscal year begins on the first day of July and ends on the last day of June. The Charter provides that, at least 35 days prior to the beginning of each budget year, the Town Manager "shall submit to the Council a budget and explanatory budget message. The Council shall be limited to the final determination of the total appropriation to be made to each of the several offices, departments and agencies of the Town, including the Department of Education."

The Charter further provides that the Town Manager's budget will be reviewed by the Town Council, which shall approve the budget with or without amendments. The Council is required to hold a public hearing on the budget. Following the hearing, the Council is required to adopt the budget, "with or without change", no later than 60 days from the beginning of the fiscal year. In the event the Council shall fail to adopt the budget within the 60 day period, the budget as presented by the Town Manager shall automatically become the budget for the fiscal year.

Article V, Section 506, of the Charter states that "the Town Council shall make a gross appropriation for each department, including the school department, for the ensuing municipal year." The gross appropriation for each department cannot be exceeded except by consent of the Council. Furthermore, the school budget is to be expended under the direction and control of the School Board.

During the budget year, the Town Council has the authority to make supplemental appropriations in order to cover unforeseen or emergency expenditures. The Charter also gives the Council authority to transfer amounts between departments within the budget. Finally, Article III, Section 302.2, provides that once a budget is adopted by the Council, the Town Manager is responsible for its administration.

Further inquiries regarding the budget and the budget process may be made by contacting either the Town Manager, Nathan Poore, or Finance Director, Peter McHugh at (207) 699-5311.

# **BUDGET SUMMARY AND OVERVIEW**

**To:** The Honorable Members of the Falmouth Town Council

**From:** Nathan Poore, Town Manager

**Date:** April 13, 2020

**Re:** 2020–2021 Budget Transmittal Letter

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I hereby present the proposed fiscal year 2021 municipal budget. This budget was reviewed by finance department staff, my office, and the department head/management team. This budget increases the municipal portion of the mil rate by \$.15 to 3.30 mils, an increase of 4.8%. This budget request includes \$50K or \$.021 mils for senior tax relief and includes \$1,372K or \$.583 mils for Phase I of the Fire Department expansion. The average annual rate increase since 2009 has been 1.0%/yr.

The proposed General Operating Budget for the Town is \$13,811,233, which represents a \$261,467 increase over the current year's (Fiscal Year 2020) appropriation. This translates into a 1.93% increase. This budget reflects the impacts of the recent coronavirus pandemic while increasing needed Fire Department resources. This budget includes significant reductions in operating and capital spending to accomplish this. This budget does not negatively impact the financial condition of the organization and all substantial changes within the budget are sustainable. This is consistent with prior year decisions and financial management practices, which over time have built financial stability for current and future residents of our community.

### **Revenues**

We are projecting a decrease in non-property tax revenues, including auto excise tax, interest income, and growth-related fees due to the projected impact of the pandemic. Mooring fees are projected to increase 35% due to a July 1, 2020 rate increase. Ambulance charges are increasing 6.9% due to higher activity levels. The FY21 Budget also has a small increase in state revenue sharing. Overall, non-property tax revenues are projected to decrease \$181,791 from the FY20 budget, which is a 2.9% decrease.

### **Expenditures**

Personnel expense increases including wages, retirement, and health insurance are adding \$1,238,873 to the budget. The major components of the personnel cost increases were the first phase of the Fire Department expansion (\$1,270K), Town wage increases (\$71K), offset by not filling 3 current open positions, TIF allocation and open space fund allocations (-\$230K), retirement costs (\$11K), health insurance (\$61K), and an increase in workers compensation costs (\$33K). Other large increases include the Falmouth Memorial Library contribution (\$60K), Fire Department equipment for the new hires (\$45K), the Metro Assessment (\$24K) and increased Overtime costs (\$68K).

The following table includes a list of major expenditure and Revenue changes.

<b>FY2021 Budget Impacts</b>	
<b>Funding Change FY21 vs FY20</b>	
Budget Impact: Increase/(Decrease)	
<b>Revenue</b>	
• Auto Excise Taxes	\$ (196,645)
• Interest Income	\$ (65,500)
• Mooring Fees	\$ 54,445
• Ambulance Charges	\$ 28,281
• State Revenue Sharing	\$ 32,321
• Penalty Interest	\$ 7,500
• Net Change in All Other Revenue	\$ (42,193)
<b>Revenue Sub-Total Impact</b>	<b>\$(181,791)</b>
<b>Expense</b>	
• Full-Time Salaries/Social Security	\$ 556,679
• Part-Time Salaries	\$ 328,885
• Health Insurance	\$ 176,285
• Retirement	\$ 69,563
• Falmouth Library Contribution	\$ 59,754
• Overtime	\$ 67,723
• FD New Hire Equipment	\$ 45,000
• Transfer to Capital Fund	\$ (713,027)
• Trash Collection Fees	\$ (164,000)
• Net Change in All Other Expenses	\$ (165,395)
<b>Expense Sub-Total Impact</b>	<b>\$ 261,467</b>
<b>Net Increase</b>	<b>\$ 443,258</b>
<b>Mil Rate Impact</b>	<b>\$ 0.18 mils</b>
<b>Mil Rate Impact of Increased Valuation</b>	<b><u>\$(0.03)mils</u></b>
<b>Mil Rate Increase</b>	<b>\$ 0.15 mils</b>
<b>Mil Rate increases .15 mils from 3.15 to 3.30 mils.</b>	



## **Projected Future Needs and Budget Impacts**

This budget continues to maintain financial stability, deliver necessary services, and focus on sustainable solutions.

I look forward to working with the Council to meet the needs of Falmouth's citizens. I want to express my appreciation to everyone involved in the development of the final budget, including all department heads/managers and their staff.

# Budget Analysis

This section of the budget document, identified as the Budget Analysis, provides an overview of spending at multiple levels. The information in this section will illustrate budget impacts, explain changes and new programs, and compare resource allocation.

## **Tax Rate Calculation**

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This tax rate calculation table includes a projected increase in property valuation of \$23.8 million (new construction and lot formation).

<b>Property Tax Rate Calculation 2020-21 Town Budget</b>	
<b>Expenditures</b>	13,811,233
<b>Overlay</b>	20,093
<b>Non-tax revenues</b>	(6,056,254)
<b>Net from property taxes</b>	7,775,072
<b>2020-21 projected valuation</b>	2,353,228,100
<b>2020-21 projected tax rate</b>	3.30
<b>2019-20 rate</b>	3.15
<b>Tax rate increase (decrease)</b>	0.15
<b>Tax Rate % Increase</b>	4.8%

## **Expenditures (By Object of Expenditure)**

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This table and following chart demonstrate how funds are allocated between four major categories. We are primarily a service providing organization, which is why a significant amount of our budget is associated with personnel costs.

<b>Personnel</b>	<b>Supplies &amp; Services</b>	<b>Capital / Debt Service</b>	<b>Other Agencies &amp; Special Revenue Funds</b>
\$8,887,428	2,916,844	869,098	1,137,863

## **Expenditures (Personnel)**

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The total cost of personnel services (wages and benefits) in the FY21 budget is **\$ 8,887,428** representing a 16.2 % increase over FY20. Much of the difference in this category is a result of the following:

- Average wage increases will be 2.5% on January 1, 2021 (\$71K).
- The Town is budgeting the following personnel additions: 14 Fire Department Firefighter/EMS full-time additions: 8 in July, 2020 and 6 in January 2021 (\$596K), In addition, Administration is adding an Administrative Analyst position.
- The Fire Department is budgeting \$307K in additional part-time salaries to cover 2 additional daytime per diem positions at Station 4 and 4 additional per diem positions (all shifts) at Central Station (to cover 6 FT positions until they are hired in January 2020). The Parks Department is adding a part-time Stewardship and Outreach Coordinator. Administration will be increasing the hours for the Communication Specialist as part of the Town Communication Plan (\$14K).
- Benefits for the new Firefighter/EMS positions will add \$317K to the FY21 Fire Department budget.
- Health insurance costs are increasing by 17% (\$176K) and workers compensation costs are increasing due to a higher experience rate (\$33K).

## **Expenditures (Supplies and Services)**

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The proposed budget includes **\$ 2,916,844** for supplies and services, which represents a \$269K or 8.4% decrease from the FY20 budget. The notable impacts in this category include:

- An increase in Fire Department equipment costs of \$45K to purchase gear for the new Firefighter/EMS positions.
- An increase in legal Ads of \$30K as part of the Town Communication Plan.
- A decrease in trash waste collections fees of \$164K as increases in bag fees effective July 1, 2020 provide enough additional funds to cover all 12 months of collection costs versus 7 months in FY20.
- A decrease in electricity costs of \$16K and street lighting of \$15K primarily due to 6 months of net energy billing credits from the new landfill solar array project to be completed in 2020.
- A decrease in contract services of \$253K or 10.5% as a result of reductions due to the coronavirus impact.

## **Expenditures (Capital Outlay / Debt Service)**

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Funding levels in this category are the foundation for ongoing fiscal stability. We will continue to fund capital needs from annual revenues, capital CIP funds, Tax Increment Financing Districts and the issuance of debt. A successful capital improvement program (CIP) will not show mil rate impact fluctuations with substantial peaks and valleys. This budget and the remaining CIP are structured to accommodate the goal of steady funding without significant changes in the mil rate. The budget includes funds for implementing the FY21 portion of CIP. CIP fund transfers and debt service costs will total **\$869,098**, which is a 46.2% decrease from the FY20 budget. This decrease was primarily due to decreased debt service costs as principal balances are paid down (\$10K) and a reduction in transfers to CIP of \$713K due to spending reductions and use of CIP fund balance.

The Town's strategy of making prudent investments in its capital equipment/facilities and infrastructure should be continued because it sustains the condition of our infrastructure and minimizes long-term maintenance costs.

## **Expenditures (Contributions and Transfers to Special Revenue Funds)**

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Contributions to outside agencies include the Falmouth Memorial Library and METRO Bus. Funding levels, based on outside agency recommendations and requests, total **\$1,137,863** in FY21 (an increase of \$38,705 or 3.5% from last year). The increase is primarily due to an increase in Library funding (\$60K) and the METRO assessment (\$24K) offset by a reduction of \$15K for Brown Tail Moth spraying costs and a transfer of budgeted expenses for the Highland Lake project to other contractual services in the Sustainability Department.

The budget includes a contribution toward Library operations of \$632,782, which is 10.4% more than last year (Appendix D contains the Library Budget). Metro Bus expenses are increasing \$24K or 13.2% from the FY2020 level. The transfers to special revenue funds (\$137,100) are down \$26K when compared to the FY19 budget. The Library costs increase is due to the completion of the Library construction project and the re-opening of the Library. The METRO increase is due to the loss of Federal Grant funding for Falmouth's portion of Route #7.

## **Significant Projected Changes in Expense**

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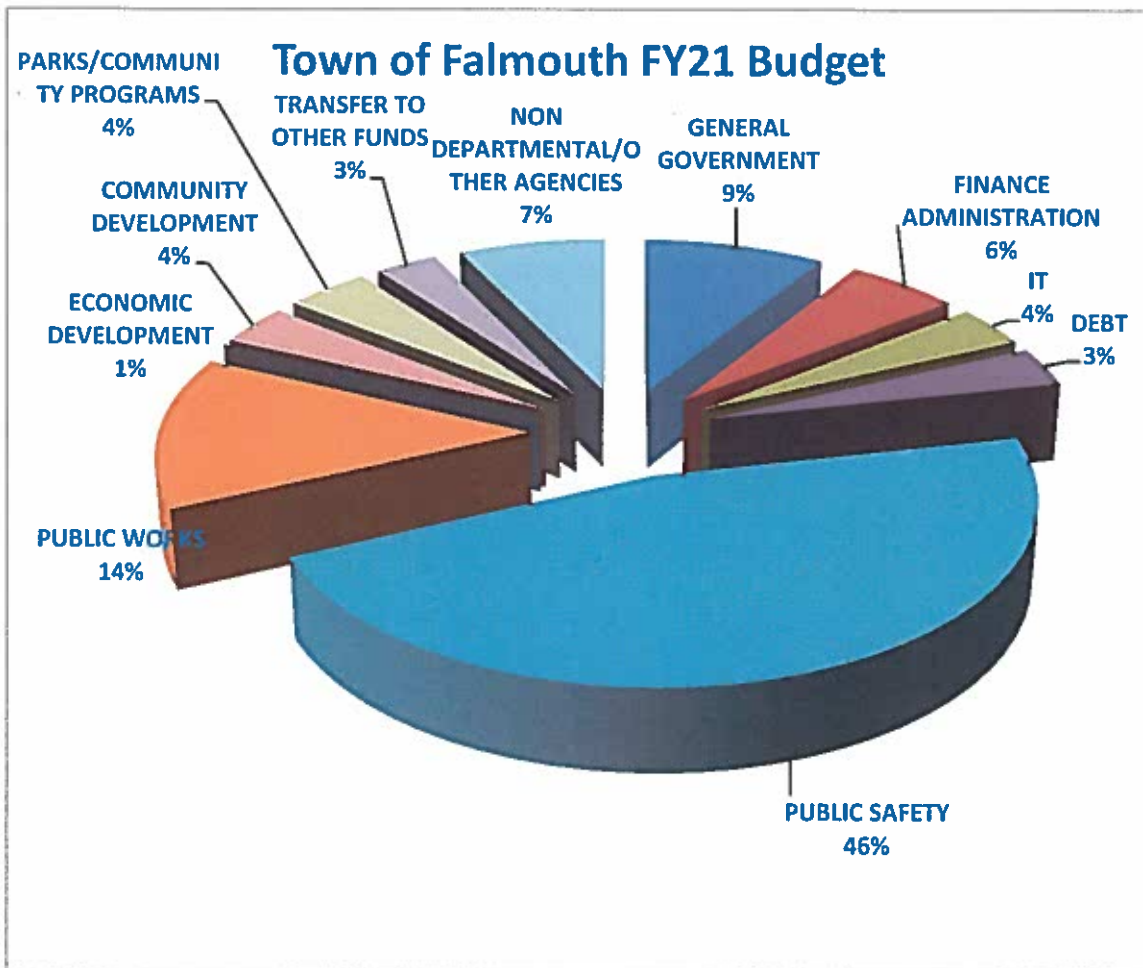
This table represents a list of those expense codes with the most significant projected change compared to the FY20 budget.

<b>FULL-TIME SALARIES/SOC SECURITY</b>	<b>556,679</b>
<b>PART-TIME SALARIES</b>	<b>328,885</b>
<b>HEALTH INSURANCE</b>	<b>176,285</b>
<b>RETIREMENT</b>	<b>69,563</b>
<b>LIBRARY CONTRIBUTION</b>	<b>59,754</b>
<b>OVERTIME</b>	<b>67,723</b>
<b>FD NEW HIRE EQUIPMENT</b>	<b>45,000</b>
<b>TRANSFER TO CAPITAL FUND</b>	<b>(713,027)</b>
<b>TRASH COLLECTION FEES</b>	<b>(164,000)</b>
<b>OTHER</b>	<b>(165,395)</b>

## **Expenditures (Budget Summary by Department)**

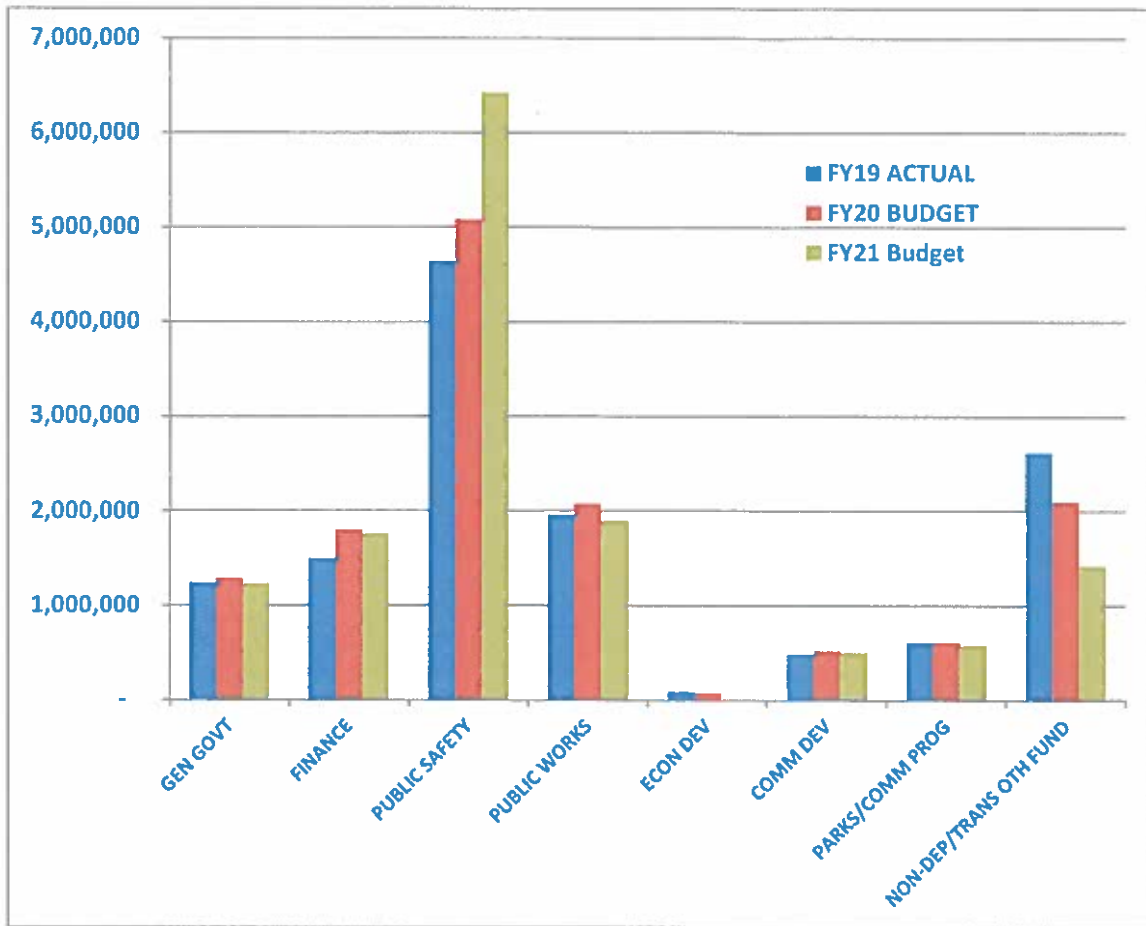
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The pie chart on the next page illustrates the final budget allocated by department. Most of our spending goes toward the delivery of services such as Parks and Community Programs, Public Safety, and Public Works. Administration expenses are much smaller, which is desirable so that more resources can be used for the delivery of services. Finance administrative services also support some School Department functions.



## Budget Allocation by Department

The bar graph on the next page presents a budget comparison by department. The explanation for variations depends on many factors including but not limited to varying levels of inflation (depending on the types of expenditures made within each department), personnel changes, reductions in some areas, and program changes.



Changes in department budgets include several explanations such as:

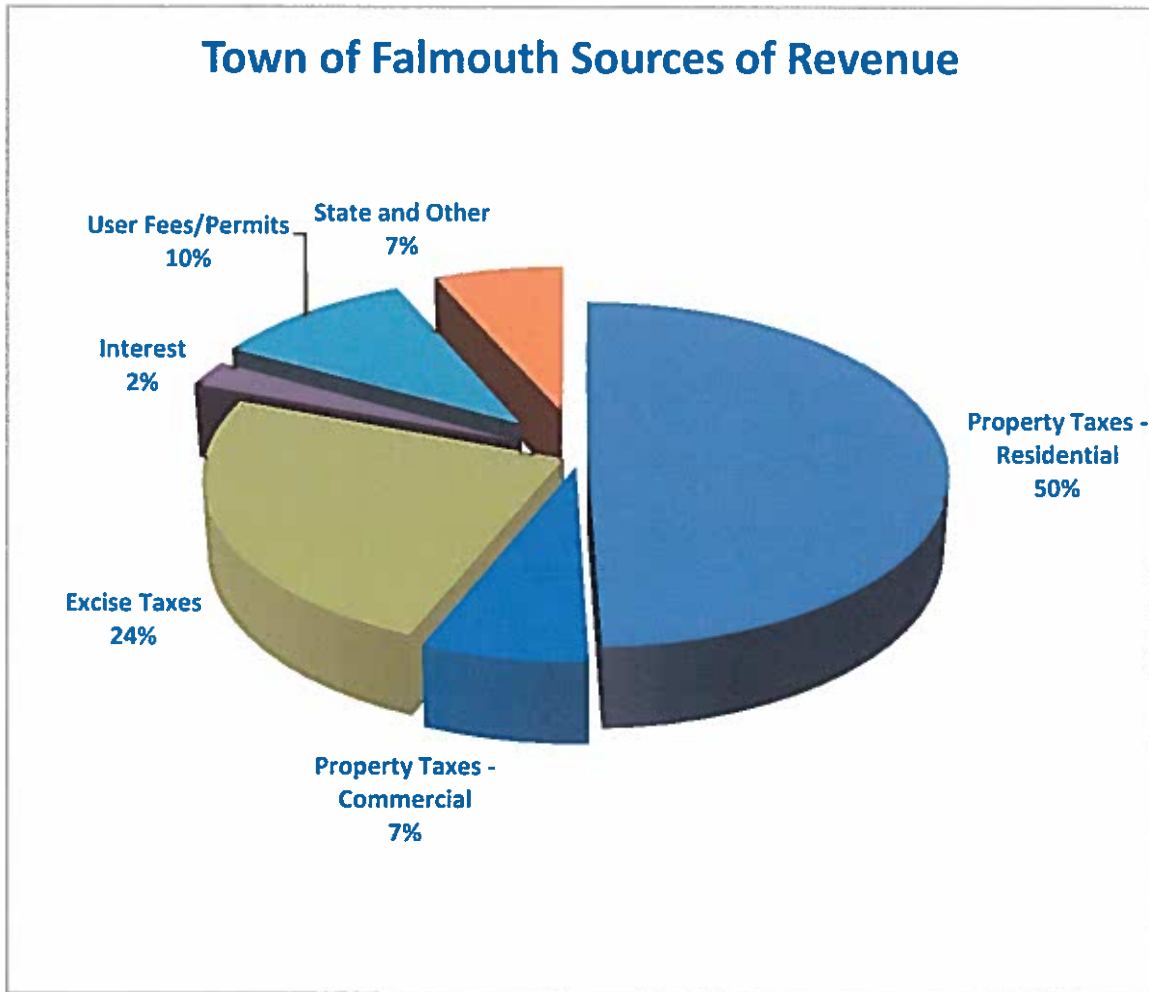
- **General Government:** This category has decreased 4.3%. This is a result of the addition of an Administrative Analyst, staff salary increases, health insurance, retirement increases, and general assistance increases. A new Communication Department has been added to implement the new Town Communication Plan and \$12K in Highland Lake Project costs were moved from Non-Departmental costs to the Sustainability Department. These increases were offset by the elimination of the Executive Admin position, reduced street lighting costs and Town Hall electricity costs, reductions in Social Services, other professional services, other contractual services, reduced Council salaries and annual banquet costs.
- **Finance:** This category has decreased 2.0%. This is a result of reduced debt service payments due to the pay down of outstanding principal, reduced computer services in Assessing as FY20 contained Vision upgrade costs, and the deferral of computer equipment purchases. These were offset by increases in staff salary, health insurance, and retirement costs, worker compensation costs and IT security monitoring costs.

- **Public Safety:** FY21 is projected to increase 26.4% because of salary, retirement and health insurance increases, the first phase of the Fire Department expansion as demand for Fire/EMS services and a decline in volunteer numbers have made it difficult to maintain service levels. The Town had a third-party perform a study of Fire Department operations and recommended a multi-year staffing increase to provide necessary services to the Town.
- **Public Works:** The 2021 8.9% decrease is due to the elimination of the remaining 5 months of trash collection fees that will now be covered by increased bag fees. This was offset by salary and benefit increases, vehicle maintenance increases and increases in street painting costs.
- **Community Programs:** An decrease of 4.9% the addition of a part-time Stewardship and Outreach Coordinator offset by a reduction in the Open Space Manager hours to help manage the Town's open space and trail system and increases in wages and benefits.
- **Community Development:** An decrease of 3.5% primarily from increases in salary, overtime, health insurance, and retirement costs offset by decreases in education and contract services and increased TIF allocations based on workload.
- **Economic Development:** A decrease of 100% due to the change in duties of the Director to focus solely on Economic Development and thus be charged 100% to the TIF Districts.
- **Non-Departmental and Other Agencies:** A decrease of 32.1% primarily attributable to a increases in the METRO assessment and Library contribution offset by decreases in CIP funding needs and brown-tail moth spraying costs, and the transfer of Highland Lake testing costs from Non-Departmental to Sustainability.



## Revenues

Municipal services are supported by several revenue sources including property taxes that account for 57% of all revenue sources for municipal (non-education) services. The following pie chart shows where all our revenues originate and demonstrates our reliance on property taxes (chart only applies to municipal services).

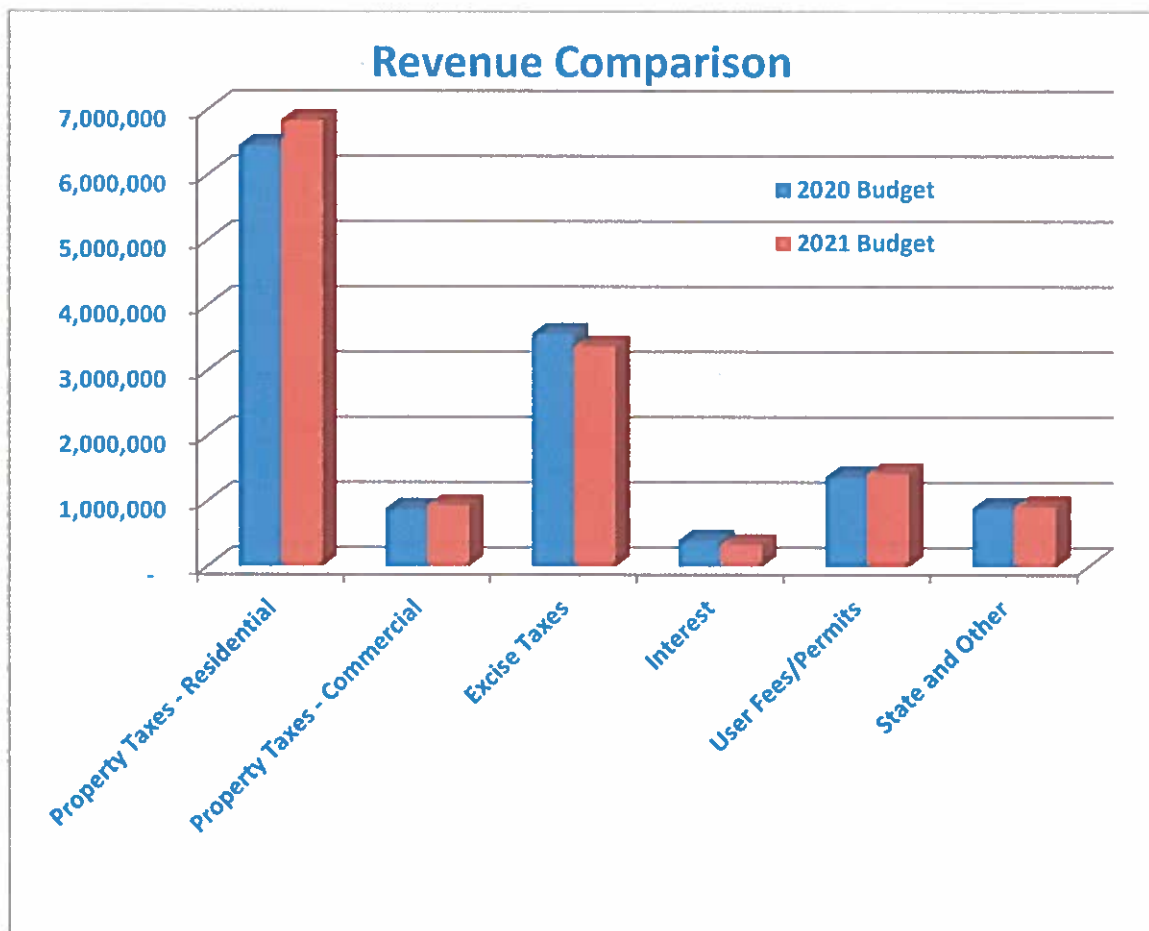


For the FY20 Budget, 78.1% of the funding required to support education general fund expenses came from property tax revenues (note: this will be updated with the FY21 Budget % once the School Budget is complete).

The estimated non-property tax revenues in FY21 are projections based on prior year trends and known changes in state and federal laws and the economic impact of the coronavirus pandemic. There is a budget-to-budget decrease of 2.9%. The table on the following page represents a list of those revenues with the most significant projected change compared to the FY20 budget.

<b>AUTO EXCISE TAX</b>	<b>(196,645)</b>
<b>STATE REVENUE SHARING</b>	<b>32,321</b>
<b>INTEREST INCOME</b>	<b>(65,500)</b>
<b>MOORING FEES</b>	<b>54,445</b>
<b>AMBULANCE CHARGES</b>	<b>28,281</b>
<b>BUILDING PERMITS</b>	<b>(16,760)</b>
<b>OTHER</b>	<b>(17,933)</b>

The following bar graph compares the FY21 and FY20 revenue budget. The increase in total property tax collections is due to a projected mil rate increase of \$.15 or 4.8%. The mil rate increase results from an increase in net Town expenditures offset by an increase in the projected property valuation (new homes, lot splits, new businesses and additions/renovations) upon which the tax rate is based. Auto excise taxes are projected to decrease 5.6% over the latest FY2020 revenue projection.



# Financial Condition

One of the primary strengths of the Town of Falmouth has been and continues to be its stable financial condition. This part of the report demonstrates financial condition by analyzing several characteristics and practices. This information will demonstrate the Town's stable fiscal condition.

Analysts use several financial indicators to measure a municipality's financial condition. This report identifies the following information/indicators: property tax burden; ratio of bonded debt to assessed valuation; direct debt per capita; tax collection rate; and the Town's unassigned fund balance.

## Property Tax Burden

The State Bureau of Taxation publishes annual full value tax rates for all Maine communities. Full value tax rates are used to provide fair comparisons between communities. The rate is calculated by using the State determined valuations and the adjusted locally determined property tax commitments.

This table compares Falmouth's full value rate with other area communities. This table relies on State derived data. The most recent available data demonstrates that Falmouth's full value rate is \$1.84 below the regional average. Falmouth has the lowest rate in the group. Since 2007, Falmouth has had a rate below the average every year. The difference between the rate in Falmouth and the regional average has exceeded the 2007 level (\$1.58) in every year in the period.

Greater Portland										
Communities	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cape Elizabeth	11.92	13.05	13.20	14.19	15.00	15.65	15.79	15.34	14.93	15.09
Cumberland	13.26	13.51	14.67	15.78	16.53	17.75	17.85	17.95	18.63	17.70
Falmouth	11.36	11.81	12.16	12.60	13.15	13.82	14.30	13.82	14.00	14.22
Gorham	12.84	13.38	13.50	13.77	14.66	14.93	15.54	15.27	15.42	15.70
Portland	15.09	15.88	16.54	17.27	17.90	18.57	18.71	18.97	18.76	18.08
Scarborough	11.17	11.58	11.97	12.55	13.27	13.93	14.67	14.68	14.82	14.84
South Portland	13.41	13.77	14.66	15.28	15.90	16.37	16.43	16.50	16.70	15.98
Westbrook	15.20	15.32	16.14	16.48	17.45	17.51	17.13	16.93	17.31	17.27
Windham	10.74	10.91	12.00	12.75	13.60	14.33	14.19	13.97	14.46	14.86
Yarmouth	14.43	15.21	16.11	17.00	17.94	18.56	18.66	17.51	17.32	16.88
Greater Portland Average	12.94	13.44	14.10	14.77	15.54	16.14	16.33	16.09	16.24	16.06
Falmouth	11.36	11.81	12.16	12.60	13.15	13.82	14.30	13.82	14.00	14.22
Variance from Average	1.58	1.63	1.94	2.17	2.39	2.32	2.03	2.27	2.24	1.84

## Debt Ratios

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The Maine Municipal Bond Bank has found the average debt/valuation ratio for Maine municipalities to be 2.1%. Municipalities have a legal debt limit of 15%, however, bond analysts consider anything under a 3% debt/valuation ratio to be acceptable. As of June 30, 2020, Falmouth's gross debt/valuation ratio will be 1.73%. It should be noted that the bonded indebtedness of the Town's sewer utility is paid through sewer user charges, and not through property tax dollars, and is not reflected in this table.

Fiscal Year End June 30	Pop.**	Assessed Valuation* (x 1,000)	Total Direct Debt (x 1,000)	Debt as % of Assessed Value	Direct Debt per Capita
2020	12,162	\$2,488,608	\$43,060	1.73%	3,540.54
2019	12,162	\$2,456,681	\$47,505	1.93%	3,906.02
2018	12,162	\$2,422,433	\$42,175	1.74%	3,467.77
2017	12,162	\$2,388,936	\$46,890	1.96%	3,855.45
2016	11,185	\$2,368,572	\$50,865	2.15%	4,547.61
2015	11,185	2,328,863	\$54,840	2.35%	4,903.00
2014	11,185	2,287,140	58,820	2.57%	5,258.83
2013	11,185	2,268,623	47,560	2.10%	4,252.12
2012	11,185	2,243,751	50,700	2.26%	4,532.86
<p><b>*Includes TIF valuation</b>  <b>**Source: U.S. Census Bureau</b>  <b>Total Direct Debt includes High School construction, Public Safety building bond refinancing, Route 1 South infrastructure, Middle School Construction and the Elementary School Construction refinancing</b></p>					

## Assessed Valuation

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Over the past 20 years, Falmouth's valuation has increased between 0.75% to 4% per year due to new construction. It is projected that net new non-TIF valuation will add \$23 million, or 1.0% to the Town's assessed valuation for FY2021 bringing that estimated total to \$2,353,228,100. FY2020 total valuation equates to \$204,622 per capita, which is generally considered a very good valuation ratio for a community with a limited commercial tax base. Direct Debt per Capita is projected to fall to \$3,540 as of June 30, 2020.

## Tax Collection Rates

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A municipality's tax collection rate is another indicator of financial stability. Falmouth has had an excellent current year collection rate averaging over 97% in each of the past five years. Overall collection rates have reached 99.9% for the tax years 2010-2017.

## **Unassigned Fund Balance**

Falmouth’s unreserved, unassigned fund balance as of June 30, 2019, was \$11,067,470. The fund balance should not be viewed as “cash on hand” or surplus funds. There are many encumbrances against the fund balance such as reserves for receivables (unpaid taxes). For example, if the tax collection rate declined to 91%, as it did during the recession in the early 1990’s, the amount that would need to be reserved for tax receivables would substantially increase. The current fund balance exceeds the minimum standards set by the Council’s adopted fund balance policy, providing the Town with a healthy “available” fund balance. A copy of the fund balance policy is attached as Appendix G.

There was a \$1,143,854 increase in the unassigned fund balance compared to FY2018. The FY2019 excess revenues over expenditures were partially offset by transfers to the capital improvement and special revenue funds, supplemental appropriations for brown-tail moth spraying (\$41K), the purchase of Tidewater Farms property (\$575K), and Route 100 paving (\$30K). The total General Fund balance increased by \$1,122,991 in FY2019.

Total Governmental Funds, including the Capital, TIF and Special Revenue Funds, for the Town increased \$8,841,654 in FY2019 primarily due to the Library/Route 100 bond proceeds of \$9.3 million offset by capital spending for those projects.

The fund balance provides the Town with adequate coverage for various liabilities, accounts receivable, unforeseen expenses, or shortfalls in revenues. It has also enabled the Town to meet all its cash flow needs despite the timing of property tax collections, which are well into the fiscal year. Credit rating institutions such as Moody’s and Standard & Poor’s, consider fund balance when rating municipalities. The Town’s credit rating was upgraded to Aaa by Moody’s and reaffirmed at AAA by Standard and Poor’s during 2019.

### **Analysis of Fund Balance**

<b>Unreserved, unassigned Fund Balance (6/30/19)</b>	<b>\$ 11,067,470.00</b>
<b>Minimum Reserve required by Fund Balance Policy</b> <b>(16.7% of total 2018-19 expenditure budget and \$1,000,000</b> <b>further reserve for capital investments)</b>	<b>(9,823,409)</b>
<b>Projected “Available” Fund Balance</b>	<b>\$ 1,244,061.41</b>

The “available” fund balance should not be relied upon for regular tax relief. In accordance with Council fund balance policy, this available balance should be used for what is commonly called “one-time” expenses. Regular reliance on fund balance could artificially reduce the tax rate, but when fund balance is no longer available, the tax rate would increase. “Available” fund balance is essential for the Town’s ability to respond to unforeseen circumstances. These unforeseen circumstances can include natural disasters, premature infrastructure failure, and economic influences uncontrollable at the local level.